

A STUDY ON CUSTOMER PREFERENCE AND INVESTMENT IN COMMODITY MARKET WITH SPECIAL REFERENCE TO MONEY MANAGER COMMODITY SERVICE

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ABSTRACT

“Risk comes from not knowing what you’re doing.”

-Warren Buffett¹

The study has been conducted by adopting survey method among clients from money manager commodity service, by using a well structured questionnaire. 115 respondents were used for the study in the convenient sampling method.

The study dealt with the importance of the customer preference and to find out the level of preference from the customers. The study provides some findings that were interrupted from the analysis of the collected data. Compared to bullion, Agri-product, metal, energy sectors, the investors are willing to prefer bullion sector (GOLD). So the firm should create awareness over other sectors.

Key words: *Customer’s preference, Investment and commodity market.*

INTRODUCTION

Saving the money is the healthy habit inculcated from the childhood in our country. We see lot of advertisements to introduce the habit of saving. Saving alone is incomplete when it is not included with Investment. Hence investment has a major role in the individual’s life as well the status of the country defined through their investment. The importance of investment lies with the individual to grow and the country to develop. The development of the country defines through their investment.

Multi Commodity Exchange of India Ltd (MCX) is an independent **commodity exchange** based in India. It was established in 2003 and is based in Mumbai.

MCX is the largest and most diverse commodities exchange in India offering more than 40 commodities across various segments such as bullion, ferrous and non-ferrous metals, and a number of Agri-commodities on its platform. The Exchange is the world’s largest exchange in Silver, the second largest in Gold, Copper and Natural Gas and the third largest in Crude Oil futures, with respect to the number of futures contracts traded.

ABOUT THE COMPANY

Money Manager Commodity Service Ltd. is engaged in business of Trading Company. It includes services depository services, Money Managers Commodity Services. The company was incorporated in 1995 and is based in Chennai, Tamil Nadu.

Our group company MMCS is an active trading member with the multi commodity exchange of India limited (mcx) (membership no: 10990).

Money Manager Commodity Service Slogan:

“The People You Can Depend On As Your Financial Lifeguards”

Our Trading Terminals, both Over the Counter and Internet Trading operate on the latest ODIN 9X version. Our dealing centre provides world class order placement, surveillance, confirmation facilities with total transparency, at the least time driven basis.

Our back office (SHARE PRO) is completely automated with state of the art technology to provide One Click information to our clients.

SCOPE OF THE STUDY

This study has the impact to assess the preference of choosing the market by the investors towards the commodity market as the commodity market investment has a major area of investment happening in the current scenario. This study aims to assist the investors and bring out the knowledge of various investment opportunities available in the commodity market. In turn this study will give an idea to the investors about the preferences available in the commodity market. Now-a-days investors are always aims that the maximum return is expected from their investment. Thus this study contributes towards the investors with the preference in the commodity market as one of the mode of investment with earning high returns.

OBJECTIVE OF THE STUDY

Primary Objectives

To study the customers preference and investment in commodity market with special reference to Money Manager Commodity Service Ltd.

Secondary Objectives

1. To analyze the customer preference towards commodity market.
2. To ascertain the investor awareness regarding commodity market.
3. To evaluate the negative information and its impact the commodity market.
4. To profile the commodity investors.

REVIEW OF LITERATURE

Sen And Paul (2010)¹⁰ have clearly suggested that future trading in agricultural goods and especially in food items has neither resulted in price discovery nor less of volatility in food prices. They observed a steep increase in spot prices for major food items along with a granger causal link from future to spot prices for commodities on which futures are traded.

Nath and Lingareddy (2007)⁹ in their study have attempted to explore the effect of introducing futures trading on the spot prices of pulses in India. Favoring the destabilization effect of futures contract, their study found that volatilities of gram and wheat prices were high during post-futures period than that in the pre-futures period as well as after the ban of futures contract.

RESEARCH METHODOLOGY

Research is the process of systematic and in-depth study or search for any particular topic, subject or area of investigation, backed by collection, compilation, presentation and interpretation of relevant details or data.

Descriptive research method is used as it seeks to describe the current status of an identified research problem/variable (or) phenomenon.

Systematic collection of information has undertaken as it requires careful selection of the units studied and measurement of each variable in order to demonstrate validity.

RESEARCH DESIGN

A research design is a plan that specifies the objectives of the study, method to be adopted in the data collection, tools in data analysis and hypothesis to be framed.

METHODS OF DATA COLLECTION

Primary data:

The primary data are collected from the clients of Money Manager Commodity Service with reference to Shenoy Nagar Branch through a close-ended, open-ended, and multiple choice questions.

Secondary data:

Company profiles, websites, magazines, articles were used widely as a support to primary data.

CONVENIENCE SAMPLING

Convenience sampling, as the name implies is a specific type of non-probability sampling method that relies on data collection from population members who are conveniently available to participate in study.

Convenience sampling is a type of sampling where the first available secondary data source will be used for the research without additional requirements. In other words, this sampling method involves getting participants wherever you can find them and typically wherever is convenient.

SAMPLE SIZE AND POPULATION

1. It refers to the number of elements to be included in the study.
2. Sample size is complex and involves several quantitative and qualitative. Here sample size is 115
3. No. of. Population : 150

DATA ANALYSIS

Correlation:

Correlation measures the degree of relationship between variables

Cause & effect relation relationship is not clear

It is not used for prediction of values.

It is symmetric in x & y (i.e.) $r_{xy} = r_{yx}$

Calculation of Correlation

$N \sum dx dy - (\sum dx) (\sum dy)$

$$r = \frac{\sum dx dy - (\sum dx) (\sum dy)}{\sqrt{N \sum dx^2 - (\sum dx)^2} \sqrt{N \sum dy^2 - (\sum dy)^2}}$$

Inference: There is relationship between reason for preferring a commodity market and whom will you get your financial advisor. Spearman's is -.004. I conclude that there is a negative relationship between reason for preferring a commodity market and whom will you get your financial advisor.

Chi-square: Statistical technique used to test significance in the analysis of frequency distribution.

Step1: Null Hypothesis (H0): There is no significant relationship between

Aware of trading and purpose behind investment in commodity.

Step2: Alternate Hypothesis (H1): There is significant relationship

Between Aware of trading and purpose behind investment in commodity.

Step 3: Calculation of chi-square $\chi^2 = \sum (O_{ij} - E_{ij})^2 / E_{ij}$.

Correlations			
		reason for preferring	from whom will you get your financial advisor
reason for preferring	Pearson Correlation	1	-.004
	Sig. (2-tailed)		.969
	N	115	115
from whom will you get your financial advisor	Pearson Correlation	-.004	1
	Sig. (2-tailed)	.969	
	N	115	115

Aware of trading in commodity market * purpose behind in investment Cross tabulation						
		purpose behind in investment				Total
		wealth creation	tax saving	earn return	investment	
Aware of trading commodity market	total awareness	6	7	5	1	19
	good awareness	9	17	17	10	53
	awareness to some extent	6	8	13	9	36
	unawareness	1	0	3	3	7
Total		22	32	38	23	115

Tests statistics

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	10.078 ^a	9	.344
Likelihood Ratio	12.129	9	.206
Linear-by-Linear Association	6.985	1	.008
N of Valid Cases	115		
a. 6 cells (37.5%) have expected count less than 5. The minimum expected count is 1.34.			

Step4: Therefore, the Degree of freedom in this case
 $= (r-1) (c-1)$
 $= 9$

Inference: We can conduct there is relationship between the Aware of trading in commodity market and purpose behind investment in commodity. Hence, it is accepted.

LIMITATION

My aim is to find out the customers preference and investment from commodity market of the customers from their share brokers.

Some of the customers may not be satisfied with their service and the information they give.

SUGGESTION

1. Most of the customers are in male category. So Money Manager Commodity Service Ltd advised to concentrate more on getting the investment from female investors also.
2. Compared to bullion, Agri-product, metal, energy sectors, the investors are willing to prefer bullion sector (GOLD). So the firm should create awareness over other sectors.

CONCLUSION

The study is made to find out the investment avenues of individual investors depend mainly on annual income and risk taking capacity. The female investors are not much aware of commodity market so proper awareness program should be conducted to

improve the awareness level of among them. The major finds of the study is the majority of the respondents preference falls on bullion (gold).

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